



**U.S. Department of the Interior
Office of Inspector General**

AUDIT REPORT

**SERVICEWIDE MEDIA PROGRAM,
NATIONAL PARK SERVICE**

**REPORT NO. 97-I-1304
SEPTEMBER 1997**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

OCT - 2 1997

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Audit Report for Your information - "Servicewide Media Program, National Park Service" (No. 97-I-1304)

Attached for your information is a copy of the subject final audit report. The objective of the audit was to determine whether the National Park Service's Harpers Ferry Center operated the Servicewide Media Program efficiently and effectively and in compliance with applicable laws, regulations, and guidance.

We found that the Center could be operated in a more efficient and effective manner if actions were taken to strengthen administrative controls and to implement cost-saving measures. Specifically, we found that the Center needed to maintain more accurate inventory records on audiovisual equipment; transfer custodial responsibility for audiovisual equipment to the parks; cancel its warehouse lease because the space was not needed; use competitive procurement procedures, when appropriate, in placing orders under indefinite-quantity contracts; and obtain better information on supplies of park brochures before printing additional copies. We estimated that the Park Service could save about \$204,000 annually by transferring responsibility for audiovisual equipment to the parks and by canceling the warehouse lease. Also, the Center could reduce costs by using competitive procurement practices in placing orders under indefinite-quantity contracts and could use funding for publications more effectively if more complete information were obtained on replenishment requirements.

The Park Service did not provide a formal response to the report. Therefore, we considered the report's seven recommendations to be unresolved.

If you have any questions concerning this matter, please contact me at (202) 208-5745 or Mr. Robert J. Williams, Assistant Inspector General for Audits, at (202) 208-4252.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SEP 30 1997

AUDIT REPORT

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Robert J. Williams *Robert J. Williams*
Assistant Inspector General for Audits

Subject: Audit Report on the Servicewide Media Program, National Park Service
(No. 97-I-1304)

INTRODUCTION

This report presents the results of our audit of the National Park Service's Servicewide Media Program. The objective of the audit was to determine whether the Park Service's Harpers Ferry Center operated the Servicewide Media Program efficiently and effectively and in compliance with applicable laws, regulations, and guidance.

BACKGROUND

The Harpers Ferry Center, at Harpers Ferry, West Virginia, coordinates the National Park Service's Servicewide Media Program and provides a wide range of informational media products and services for use throughout the national park system. During 1996, the Center, using in-house and/or contractor personnel, designed, planned, and supervised more than 1,000 new or ongoing projects for the construction of museum, visitor center, and wayside exhibits; arranged the purchase and/or transfer of museum objects to furnish historic structures; produced motion pictures, video programs, and sound recordings at Audiovisual Centers in Harpers Ferry and Denver, Colorado; and produced 29.5 million copies of park folders, maps, educational charts, and posters. The Center also purchases and repairs all audiovisual equipment for the parks, maintains the inventory records for approximately 15,000 items of original art and 17,800 pieces of audiovisual equipment, and maintains a library of 80,000 audiovisual and historical reference materials.

The Center's fiscal year 1996 budget was about \$35.1 million, which consisted of Operation of the National Park Service appropriation funds of \$12.3 million (Center base funding of \$11.6 million and park reimbursements of \$700,000) and no-year funds (carry-over funds from prior-year appropriations) of \$22.8 million (Park Service Construction appropriation

funds of \$14.5 million; donation account funds of \$3.8 million; and funds of \$4.5 million from reimbursable agreements with parks, other Departmental bureaus, and Federal and state agencies). In fiscal year 1996, the Center spent \$21.3 million to fund 164 full-time equivalent positions, operate the Center, and obtain the services of about 65 contractors, which designed, fabricated, and installed exhibits in the parks and produced park folders and maps.

SCOPE OF AUDIT

The audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

In performing our audit, we examined financial and procurement records for fiscal years 1995 and 1996; reviewed project status reports; and interviewed program officials at Center offices in Harpers Ferry and Charles Town, West Virginia. We also visited 10 Park Service field locations, where we conducted physical inventories of audiovisual equipment and park folders and maps, examined completed project work, and interviewed cognizant officials (see Appendix 2).

As part of our audit, we evaluated the system of internal controls to the extent we considered necessary. We found internal control weaknesses in the Park Service's administration of and accounting for Center-owned audiovisual equipment and in its production of park brochures. Our recommendations, if implemented, should improve the internal controls in these areas.

We also reviewed the Secretary's Annual Statement and Report to the President and the Congress for fiscal year 1995, which is required by the Federal Managers' Financial Integrity Act, and the Departmental Report on Accountability for fiscal year 1996, which includes information required by the Act, and determined that no material weaknesses were reported that directly related to the objective and scope of our audit.

PRIOR AUDIT COVERAGE

Neither the General Accounting Office nor the Office of Inspector General has issued any audit reports in the past 5 years on the National Park Service's Servicewide Media Program.

RESULTS OF AUDIT

The National Park Service's Harpers Ferry Center needs to strengthen administrative controls and implement cost-saving measures to improve the efficiency and effectiveness of its

operations. Specifically, the Center needs to maintain accurate inventory records on audiovisual equipment; transfer custodial responsibility for audiovisual equipment to the parks; cancel its warehouse lease because the space is not needed; use competitive procurement procedures, when appropriate, in placing orders under indefinite-quantity contracts; and obtain better information on park requirements and inventories before publishing park brochures. We estimated that the Center could save about \$204,000 annually by transferring responsibility for audiovisual equipment to the parks and by canceling the warehouse lease. We also concluded that the Center could reduce costs by soliciting competitive offers for items ordered under indefinite-quantity contracts and that it could use its funding for publications more effectively if more complete information were obtained on replenishment requirements.

Equipment Depot and Warehouse Operations

The Harpers Ferry Center operates a maintenance, repair, and replacement depot for all audiovisual equipment. The depot's four full-time staff are responsible for: (1) processing orders and shipping equipment to the parks; (2) tracking an inventory of 17,800 audiovisual items; and (3) repairing and/or maintaining annually about 1,500 items that are returned to the Center. The depot's fiscal year 1996 operating costs totaled about \$406,000 for payroll salaries and benefits (\$258,000); repairs, replacement equipment, and shipping (\$144,000); and delivery services charges (\$4,000). The \$406,000 does not include any of the salary costs of three other Center employees who provide additional support services or supervision of staff.

We found that the Center did not operate its equipment depot and warehouse in an efficient and effective manner. Office of Management and Budget Circular A-123, "Internal Control Systems," requires Federal agencies to implement adequate controls to ensure that programs and activities are conducted efficiently and effectively. Although the Center had adequate controls for recording equipment acquisition, repair, and disposal, the Center did not ensure that records were maintained accurately through periodic physical inventories and reconciliations for audiovisual equipment, did not implement adequate controls to ensure that equipment was repaired or replaced in a cost-effective manner, and incurred avoidable costs for unneeded warehouse space. We estimated that the Center could save about \$204,000 annually by transferring custody of audiovisual equipment to the parks (\$120,000) and by terminating a lease for warehouse space (about \$84,000) (see Appendix 1).

Equipment Inventory Records. Physical inventories and record reconciliations are necessary controls to ensure the existence and proper valuation of property. However, we found that inventories requested by the Center were not conducted at all parks and that the Center did not reconcile the results of physical inventories conducted by the parks with the Center's property records. For example, in calendar year 1995, parks conducted only 33 percent (110 of 337) of the physical inventories requested by the Center. Also, at the time

of our review, depot staff had not reconciled 58 of the 110 physical inventory reports submitted to the Center in 1995. Although depot records showed that 65 (59 percent) of the 110 parks reported discrepancies between Center and park inventory records, the Center adjusted its inventory records to agree with the parks' records for only 7 of these 65 parks. We noted discrepancies between the inventory records of the Center and the parks visited as follows:

- The Harpers Ferry National Historical Park reported that it could not locate 32 (30 percent) of 106 items assigned to the Park but that it had located 54 other audiovisual items (videodisc and videocassette players, televisions, and sound equipment), totaling at least \$11,000, that were not listed on the Center's inventory records. Center inventory records showed that the Park had not completed an inventory since 1991.

- In a March 1996 memorandum to the Center, Friendship Hill National Historic Site officials reported that they had only 7 of 20 laserdisc players that were listed on the Center's inventory report but that they found 7 other players that were not listed on the Center's report. The officials said that they could not locate the six remaining items, totaling \$5,195.

The Center maintained two equipment databases, the official Park Service property system ("Prop System"), which tracks all equipment acquired by the Center, and a separate database that is used to track audiovisual equipment sent to the parks. Depot personnel, however, did not adjust either database to reflect the results of the physical inventories completed during fiscal years 1995 and 1996. As a result, the audiovisual equipment inventory was not up to date, and the data may not have been reliable.

Equipment Repair and Replacement. The Center's audiovisual equipment depot provides lifetime repair or replacement of equipment purchased through the Center. When notified of equipment failure, the depot ships a replacement item to the park, and the park returns the defective item to the depot. At the depot, the item is either fixed or reshipped to a contractor for repair.

We found that while the Center maintained logs on how equipment was repaired at the depot, it did not maintain adequate records on the cost or frequency of equipment repair to determine whether it was more cost effective to repair or replace equipment. Office of Management and Budget Circular A-76 (Revised), "Performance of Commercial Activities," requires Federal agencies to determine whether services that are available in the commercial sector should be performed in-house or by commercial sources. Although implementation of the Circular is not required for operations of 10 or fewer people, as is the case with the depot, we believe that the Center could use the Circular as a guide to evaluate alternatives for audiovisual equipment services. During our review, depot personnel began to record the amount of time spent on repair work in half-hour increments. However, because they did not record the costs of supplies or materials used for individual repair jobs or the cumulative cost of multiple repairs on the same item, the depot did not have the information needed to

determine whether it was more cost effective to perform repairs in-house or commercially or to determine whether it was more economical to repair or replace items.

Streamlining Operations. We believe that the Center could streamline operations and possibly reduce costs by consolidating and/or transferring certain functions to the parks. Currently, the Center orders, receives, and tracks audiovisual-equipment, which it inspects and ships to the parks as needed. The Center also receives broken or damaged audiovisual equipment from the parks and either repairs the equipment in-house or ships it to a commercial repair facility. To perform these functions, the Center incurs equipment transshipping expenses of about \$30,000 a year and employs an inventory procurement/database clerk (annual salary of about \$31,000 a year), two shipping and receiving clerks (annual salaries totaling about \$59,000 a year), and a repairman (annual salary of about \$41,000 a year). In our opinion, the Park Service could streamline the audiovisual equipment purchasing and repair functions if the parks directly ordered and arranged for the repair of their audiovisual equipment. The Park Service could achieve annual savings of \$120,000 by eliminating the cost of storing, tracking, and shipping items from the Center to the parks and the salaries of the Center employees who inventory, inspect, track, and ship the equipment.

Warehouse Operations. Under a 10-year lease signed in July 1990, the Center leased 14,440 square feet of warehouse space in Charles Town to receive merchandise and to store publications, film, and travel exhibits. When we visited the leased facility in March 1996, only about one third of the space was in use. A Center official said that equipment which was declared excess in 1995 had been removed from the warehouse and that the remaining items were either obsolete or no longer in use. In addition, the Center transferred the warehouse's receiving function to another facility in May 1996.

We believe that continued use of the warehouse facility is not cost effective. Based on a physical review of the premises, we estimated that less than 10 percent of the space was being used and that the remaining inventory at the warehouse could be either disposed of or moved to existing depot facilities. Since there is no charge for terminating the lease at this time, the Park Service could save an estimated \$83,628 a year (the 1996 annual lease payment) if the lease was canceled.

Indefinite-Quantity Contracts

The Park Service often bought media program products and services (such as exhibit planning, design, fabrication, and installation) by awarding indefinite-quantity contracts. These contracts provided for labor and materials at fixed rates and costs. When making a purchase, the Center would request that an indefinite-quantity contractor submit a fixed price proposal using Center specifications. Based on the proposal, the Center would place an order for the needed item or service at a fixed price.

The Federal Acquisition Regulation (48 CFR 16.5) states, “Indefinite-quantity contracts may be used to acquire supplies or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award.” The Regulation also requires that indefinite-quantity contracts specify the minimum and maximum quantities and amounts that can be ordered and include a statement of work, specifications, or other description “that reasonably describes the general scope, nature, complexity, and purpose of the supplies or services to be acquired under the contract.”

We found that, in general, the Center complied with Federal Acquisition Regulation provisions governing the use of indefinite-quantity contracts. However, we believe that, in some instances, the Center could decrease acquisition costs by using competitive procurement practices to obtain media program products and services. In placing an order against an indefinite-quantity contract, the Center typically solicited a proposal from one contractor and accepted the proposal without revision as long as the proposed cost was within the range of the Government estimate. If the contractor’s proposed cost exceeded the Government estimate, additional justification for the increased costs generally was obtained. In fiscal years 1995 and 1996, the Center placed 35 indefinite-quantity contract orders, each over \$60,000, of which **only** 3 were awarded competitively. There was no record in the procurement files to show why 32 of the orders were not placed competitively. We found that when the Center used competitive procurement practices, the indefinite-quantity contractors, which provided comparable time and material prices, submitted proposals that varied widely in total cost. For example:

- The Center requested bids for the fabrication, transportation, and installation of all exhibits at the visitor center at Natural Bridges National Monument. The Center received seven bids ranging from \$78,766 to \$123,279 from indefinite-quantity contractors and placed the order with the lowest bidder, whose bid was **\$44,513** less than the highest bid.

- In response to an invitation for bids, 10 indefinite-quantity contractors submitted proposals ranging from \$68,273 to \$138,727 for the fabrication and installation of exhibits. The Center placed the order with the lowest bidder, whose bid was \$70,454 less than the highest bid.

We believe that the Center could achieve additional savings by combining orders and using competitive procurement practices. We found that the Center often placed separate orders with the same indefinite-quantity contractor for an exhibit’s planning, design, and oversight of the fabrication and installation of the exhibit. In such cases, the initial order was for a relatively small amount, but subsequent orders placed noncompetitively with the same contractor significantly increased the total amount of the procurement. For example, the Center requested a proposal from one indefinite-quantity contractor for the planning phase of three projects (a Lake Mead National Recreation Area project for \$10,475, a Jean Lafitte National Historical Park and Preserve project for \$979, and a Holocaust Memorial Museum project for \$1,372). Subsequent awards to the same contractor for the latter phases of these

projects increased the total cost to \$475,212 (\$112,599 for the Lake Mead, \$199,279 for the Jean Lafitte, and \$163,334 for the Holocaust Museum projects). In our opinion, the cumulative cost of these three projects warranted the use of competitive procurement practices.

We also found two instances in which the Center modified two contracts to include a new service, the processing of digital map files, that was not included in the original statement of work of either contract. Subsequently, the Center paid the contractors a total of \$542,000 over a 3-year period to process the map files. Considering the substantial cost of this work, we believe that the Center should have advertised this new requirement and awarded separate contracts to provide for the service.

Park Brochures

The Center needs to improve controls over the production of brochures distributed to park visitors to ensure that the limited funds available for visitor publications (funds of \$2.5 million were spent on publications in fiscal year 1996) are used effectively. According to fiscal year 1997 Park Service budget documents, funds were available for printing only one brochure for every 16 park visitors. However, the Center was able to use fiscal year 1996 funds transferred from other Center divisions to produce an average of one brochure for every nine park visitors (the average ratio for the past 10 years).

The Center requires each park to submit a Free Informational Publications - Semiannual Inventory Report, which provides data on the current inventory, the number of brochures distributed during the past 6- and 12-month periods, the next replenishment date, the brochure-to-visitor ratio, and other information such as inventory levels. The Center uses the report to evaluate and rank requests for reprints and revisions. However, we found that only 81 (25 percent) of 323 sites that received brochures submitted the required reports for the 6-month period ending September 30, 1995, and that only 59 (18 percent) of the sites submitted the reports for the following 6-month period. Instead, Center staff made followup contacts by telephone or electronic mail but did not complete the semiannual report or obtain all of the required information needed to manage brochure production. Management officials at 7 of the 10 parks we visited said that they were unaware of the requirement to submit the reports.

We believe that the practice of obtaining data from the parks by telephone and electronic mail places an unnecessary burden on the Center. Furthermore, because complete and consistent information on park brochure use and supplies was not obtained, the Center did not always have sufficient information to make an informed decision on the number of copies that should be printed and may have published unneeded materials. For example, the Center printed a 1-year supply of brochures for the Minute Man National Historical Park in June 1996, even though the Park had not submitted the required reports. We visited the Park prior to the shipment and determined that the Park already had a 1-year supply of the

brochures in stock. Also, Center staff did not have the authority to refuse requests from parks. We believe that the Park Service should ensure that all parks submit the required reports to the Center and that the Center be authorized to reject printing requests if the reports are not received.

Recommendations

We recommend that the Director, National Park Service, require the Manager of the Harpers Ferry Center to:

1. Conduct a complete physical inventory of audiovisual equipment in the parks, reconcile the differences between the official Park Service property system (Prop System) and the Center audiovisual equipment database, and adjust the records accordingly. The Director should also ensure that all park units cooperate fully in this effort.

2. Maintain records on the cost of each equipment repair job performed by depot personnel and use this information to determine whether it is more cost effective to have the equipment repaired either in-house or by contract with commercial sources or to repair or replace an item of equipment.

3. Determine the feasibility and cost effectiveness of transferring custody of audiovisual equipment to the parks. If this transfer is determined to be feasible and cost effective, the audiovisual equipment database at the Center should be discontinued and equipment inventories should be transferred to the parks.

4. Transfer or dispose of-warehouse items and cancel the lease at the Charles Town warehouse.

5. Establish a dollar value for indefinite-quantity orders that should be placed competitively and ensure that competitive bids are obtained for such acquisitions when appropriate. Also, orders for all phases of a media product or service should be combined, and the competitive acquisition threshold should be applied to these procurements.

6. Require contracting officials to award a new contract when purchasing an item that is not included in the statement of work of an existing contract.

7. Require all parks to submit the Free Informational Publications - Semiannual Report before processing park requests for additional brochures. The Director should also ensure that all parks cooperate in this effort and should authorize the Center to reject printing requests for parks that do not comply with the reporting requirement.

National Park Service Response and Office of Inspector General Comments

We requested that the Director, National Park Service, provide written comments to the draft report by September 8, 1997. On that date, we received, from the Park Service's Audit Liaison Officer, comments prepared by the Manager, Harpers Ferry Center, that were addressed to the Audit Liaison Officer. On two occasions, we asked the Audit Liaison Officer to provide a response from the Director. However, instead of providing the Park Service's official response from the Director, the Audit Liaison Officer, on September 24, 1997, submitted a memorandum that formally transmitted to our **office** the Harpers Ferry Center's comments of September 8, 1997. Although these comments were considered in preparing our **final** report, this report is being issued without the benefit of the Park Service's response because we did not receive the requested response from the Director. As such, all of the recommendations are considered unresolved. In accordance with the Departmental Manual (360 DM 5.3), we are requesting a written response to this report by November 28, 1997. The response should provide the information requested in Appendix 3.

The legislation, as amended, creating the **Office** of Inspector General requires semiannual reporting to the Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the assistance of National Park Service personnel in the conduct of our audit.

<u>Finding Area</u>	
Streamlining Operations	\$120,000
Warehouse Lease Termination	<u>84,000</u>
Total	<u><u>\$204,000</u></u>

PARKS VISITED

SITE	LOCATION
Appomattox Court House National Historical Park	Appomattox, Virginia
Boston National Historical Park	Boston, Massachusetts
Frederick Law Olmsted National Historic Site	Brookline, Massachusetts
Harpers Ferry National Historical Park	Harpers Ferry, West Virginia
Independence National Historical Park	Philadelphia, Pennsylvania
John Fitzgerald Kennedy National Historic Site	Brookline, Massachusetts
Longfellow National Historic Site	Cambridge, Massachusetts
Minute Man National Historical Park	Concord, Massachusetts
Petersburg National Battlefield	Petersburg, Virginia
Salem Maritime National Historic Site	Salem, Massachusetts

STATUS OF AUDIT REPORT RECOMMENDATIONS

Findings/Recommendations Reference	Status	Action Required
1-7	Unresolved.	Provide a response to each recommendation. If concurrence is indicated, provide a plan identifying actions to be taken, including target dates and titles of officials responsible for implementation. If nonconcurrence is indicated, provide specific reasons for the nonconcurrence.

**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO
THE OFFICE OF INSPECTOR GENERAL BY:**

Sending written documents to:

Calling:

Within the Continental United States

U.S. Department of the Interior
Office of Inspector General
1849 C Street, N.W.
Mail Stop 5341
Washington, D.C. 20240

Our **24-hour**
Telephone **HOTLINE**
1-800-424-5081 or
(202) 208-5300

TDD for hearing impaired
(202) 208-2420 or
1-800-354-0996

Outside the Continental United States

Caribbean Region

U.S. Department of the Interior
Office of Inspector General
Eastern Division - Investigations
1550 Wilson Boulevard
Suite 410
Arlington, Virginia 22209

(703) 235-9221

North Pacific Region

U.S. Department of the Interior
Office of Inspector General
North Pacific Region
238 Archbishop F.C. Flores Street
Suite 807, PDN Building
Agana, Guam 96910

(700) 550-7428 or
COMM 9-011-671-472-7279

Toll Free Numbers:

1-800-424-508 1

TDD 1-800-354-0996

FTS/Commercial Numbers:

(202) 208-5300

TDD (202) 208-2420

HOTLINE

1849 C Street, N.W.

Mail Stop 5341

Washington, D.C. 20240

